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CORRECTION

Please note that wherever the name of this organization appears it should read "CONSUMERS ASSOCIATION OF CANADA", and not the Canadian Association of Consumers.

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CONSUMERS' ASSOCIATION

OF

CANADA

****
* ONTARIO PROVINCIAL ASSOCIATION *
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Mrs. A. G. Volpe
(President)

Mrs. F. E. Underhill
(Legislation)

November, 1963

1. The Canadian Association of Consumers, Ontario Branch, which has the honour to present the following submission, comprises of twenty-three local branches and nine Provincially organized societies in federation, with a membership in excess of 7,000 persons.

2. The Canadian Association of Consumers was founded by the request of the government of Canada in 1946. The object of this organization is "to work for, speak for and inform the Canadian consumer on all matters pertaining to the consumer". To further the objects of the Association, Provincial and Local branches were formed. The Branch for the Province of Ontario was formed about the year 1947.

3. The Canadian Association of Consumers, Ontario Branch, is concerned with the matters within the jurisdiction of the government of the Province of Ontario. This is accomplished by direction eminating either from Committees, which study and forward information to the local branches, or, from the local branches forwarding a problem (or solution to a problem) of consumer interest to the Ontario Branch. Resolutions are formulated, voted upon and adopted at the Annual Meeting and accordingly become policy of the Association.

4. In June, 1963, a request was received by the Canadian Association of Consumers, Ontario Branch, from the Executive-Secretary of the Ontario Commission on Taxation to submit a brief to the Commission.

5. Method of Procedure:

In order that such a Brief would carry the full weight of The Canadian Association of Consumers, Ontario Branch, it would be necessary to base the Brief solely upon Resolutions passed at Annual Meetings. Since

Resolutions on the subject of "Taxation" are few; and since every aspect of revenue is affected by taxation - it was decided to send a questionnaire on this subject to each local branch and executive member. Time does not permit the matters detailed in the questionnaire to become Resolutions - however, this procedure elicited opinions from many groups and thinking persons. Accordingly, this Brief is presented not as the policy of The Canadian Association of Consumers, Ontario Branch, but as the suggestions and recommendations of many of their members.

6. Basic Thinking:

There were three underlying thoughts of equal importance to those replying to the questionnaire:

(a) Taxation must provide a revenue in order that the Province of Ontario can finance goods and services that would not otherwise be adequately supplied.

(b) The spending of government money in various areas and projects has a direct effect on employment and, accordingly, on our economy. It is the responsibility of the Government to stabilize the economy of the Province by well studied and planned tax levies.

(c) Revenues should be collected in accordance with ability to pay.

As one person aptly put it " only high enough taxes, well studied and aptly applied, can provide the goods and services we need and want with a stable economy."

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7. Need for Revenue:

There is complete unanimity of opinion on one matter - it is imperative that the Ontario Government increase its revenue. The reason for this is, that changing times have made necessary more services, accordingly, added revenue is necessary to provide services which these times demand.

8. Sources of Revenue:

The following sources of revenue were considered:

- Land Transfer Tax
- corporation income tax
- personal income tax
- property tax
  - i) business and commercial properties
  - ii) education
  - iii) religious institutions
- motel and hotel bills tax
- transportation and communications tax
- retail sales tax
- transfer tax
- Succession Duty

The following conclusions, suggestions and recommendations have been reached after study of the replies to the questionnaire:

(a) Land Transfer Tax

At present, the tax payable to the Ontario Government on registration of a deed in the Registry Office is $2.00 for each $1.000. of the purchase price of the property. Eighty per centum (80%) of those replying to the questionnaire were of the opinion that this should be raised from $2.00 to $2.50 or $3.00 per thousand of property value. The reasons stated was that this was in many cases "a once in a lifetime purchase" and the payment of an extra dollar per thousand is small in comparison with the total amount

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of money involved.

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* For example:

> At present the Land Transfer Tax paid on the registration of a deed wherein the purchase price of the house is $10,000. is $20.00. If the Land Transfer Tax were raised to $25.00 or $30.00, the additional $5.00 or $10.00 would not work a hardship on anyone and would be very small in comparison with the total amount of money involved.

(b) Corporate Income Tax

The majority of those replying to this questionnaire are of the opinion that the tax on corporate income should be increased before that of personal income tax. The reasons stated is that such a tax increase would not directly affect the wage earner - the tax would be felt by the shareholder. Since the shareholder is an investor, and since the majority of companies have thousands of outstanding shares - the brunt of this increase would be divided among many investors and the impact upon the "average man" would be minimum.

(c) Personal Income Tax

Women are reluctant to entertain any rise in income tax whatsoever - but if such should be necessary to raise revenue - no tax increase should be levied upon the wage earner whose income is under $5,000.

It is admitted that the present rate of tax on those earning more than $5,000. is heavy - and the income tax levy becomes greater as income increases with the result that although a man earns a sizeable income - the income tax is a severe burden.

** For example:

> A man earning $12,000. pays $2,870. to the Federal Government, plus $437.20 to the Ontario Government - this results in more than 25% out of every dollar earned being sent to the Income Tax office.

If a man earns $25.000. a year the combined Federal and Ontario Income Tax amounts to $9,941.20 - accordingly, 40¢ out of every dollar must be designated to payment of income tax.

There is no suggestion that the income tax is not steep and certainly it affects the financial plans of every family - however, it is felt that if it is necessary to raise revenue that the increase be made applicable only to the higher income tax bracket. As stated above, it is recognized that the tax already paid is severe - however, those in the higher income tax bracket are better able to pay such an increase.

(d) Property Tax

i) Business Property:

It is the unanimous opinion that the rate of taxation on business and commercial property should be higher than that on a residential property - this is as presently exists. However, unless it is absolutely necessary for the raising of revenue those answering this questionnaire are of the opinion that the existing tax on business and commercial property should not be raised.

ii) Education:

While the cost of education is borne by Local, Provincial (and in some cases, Federal) Governments, the greatest burden of raising money for our school system falls upon the Local Government. This is accomplished by an assessment upon all real estate in every part of the Province. The burden has become unbearable on the property owner and accordingly, it is felt that additional means of carrying the financial responsibility and burden of education should be found as this matter is an emergency. At present, almost 50% of taxes raised from assessment on property go to the support of education. The cost of education has spiralled and this is reflected by increased property tax.

*** For example:

If a man owns a $20,000. house, he will pay an annual property tax of approximately $600. of which $300. will be designated for education. Not only is a property tax a sizeable sum for the home owner to pay, but when he comes to sell his home - it is a matter which must be taken into consideration by the prospective buyer.

The fact is that the cost of education is approximately 50¢ of every dollar and is rising - it creates a condition wherein the owning of a home may become financially intolerable and the selling of that home impossible. Additional means of carrying the financial burden of education must be found.

iii) Religious Institutions:

While we are aware of the provisions of the British North American Act, 80% of those answering the questionnaire are of the opinion that the religious institutions should be taxed. As one person stated "exemption of religious institutions means that individuals of other faiths must subsidize religious denominations that own extensive and valuable property. Exemptions seems justifiable only when the services of an institution are available to all citizens in the community."

The basis of this tax should not be the same basis of the tax rate for commercial or private property - religious institutions should be taxed at a special rate.

(e) Tax on Motel and Hotel bills

Those answering this question were almost evenly divided - 48% in favour and 52% against such a tax. It was felt by some that motels and hotels brought business to a city, and accordingly, such a tax would be off set by less money spent elsewhere in the area. However, as one person put it "we have just returned from visiting our daughter in the U.S.A. - we paid tax on all meals and motels on our trip and thought nothing of it - it was part of the trip".

(f) Transportation and Communication tax

Any increase of a tax in this area is strongly opposed.

(g) Sales Tax

Women are not in favour of any increase in the Ontario Sales Tax. However, they know that revenue must be raised and it may be, that raising of the Sales Tax in

certain areas may provide that revenue. Thinking on this matter is simple and direct:

Lower tax for necessities in lower price range.
The same existing tax for other necessities.
A higher tax for luxury items.

There are certain additional goods that all would like exempted from sales tax - these are products which are necessary in to-day's living and which affect every family - namely:

- soaps
- detergents
- toilet goods, ~~kleenex~~ tissues
- equipment for the handicapped
- clothing for children up to the age of 16 years
- school supplies
- building supplies
- home improvement
- medication, other than those which require prescription

It is emphasized that children's clothing and shoes should be exempted from tax up to the time when the young person is 16 years of age. At present, a well built young person of 12 years of age, may take a size 16 in clothes, accordingly, our present tax mitigates against such persons and works a hardship upon the financial budget of their families.

It was stated that certain luxury items might carry a higher tax. Such "luxury" items are - jewellery - furs - cars - liquor and soft drinks - water power rentals - game and fish licences - race track - travel. The definition of a "luxury" item seems to be that which the "average person" can do without. The areas in which taxes might be lowered include - work uniforms and clothes - telephone bills.

It is generally agreed that the sales tax affected all purchases - as one person put it "I have a specified amount of cash per year to spend - the essentials of living and food come first, sales tax means that I wear a winter coat for another season. One hundred dollars cannot be made to go any further than one hundred one dollar bills." This opinion is prevalent. Another reaction seems prevalent regarding sales tax - "it fills me with fury and annoyance every time I have to pay sales tax. It is a constant source

of irritation to consumers, retailer and wholesaler - particularly when one realizes that everything has already been taxed."

(h) Transfer Tax

At present, the Ontario tax on transfer of shares is 4¢ per hundred dollars. It is felt that a raise from 4¢ to 5¢ per hundred would provide a source of revenue that would not be "felt" by the average man. It would be "felt" mainly by the investor who is using his existing capital as means to make more capital. Since we do not have a capital gains tax - it was thought that revenue could be raised by an increase of 1¢ per hundred dollars on transfer of shares.

(i) Succession Duty

It is of the opinion that the Ontario Succession Duty Tax should be amended on the following matters:

(a) Greater exemptions for a wife and dependents -

i) Wife -

Under Section 7, subsection (8) (b) of the Ontario Succession Duty Act, R.S.O. 1960, Chapter 286, $60,000. is the amount deductible in computing the aggregate taxable value of an estate of a deceased male person survived by a spouse. Since marriage is a partnership - one half of the estate of the husband should belong as of right to the wife. Since this is not acknowledged by the Government, this $60,000. exemption should be increased so that the monies earned upon exemption allow a fair standard of living.

** For example:

If a wife inherited $60,000. from her husband, while it is true that there would be no Succession Duty - the income that this sum would produce (invested at 5%) would be $3,000. Income tax on this would be approximately $250. and accordingly, the widow would have a yearly income of $2,750. or $52.80 a week. According to our present standard of living, this is below the average income (in Ontario).

Accordingly, while there is no recommendation as to the figure to which this exemption ought to be raised, it is suggested that the increase of exemption be such that when conservatively invested (at 5%) - the income of the widow should not only be more than that of the average person in Ontario, but should reflect her contribution to the marriage partnership and also to her husband's financial success, bearing in mind that they had already paid the price of his success in taxes during his lifetime.

ii) Dependents -

Section 7, subsection (8) (b) (11) and (5) of the Ontario Succession Duty Act, permits a deduction of $10,000. or $15,000. as set out, in the case of a surviving child under twenty-one years of age or twenty-one years and over and if wholly dependent by reason of being infirm. Since 4½% interest on $10,000. ($450.) or on $15,000. ($675.) is inadequate to feed, clothe, educate, house and otherwise provide for a school-aged child, the Canadian Association of Consumers, Ontario Branch, submits that the deduction should be based on the basic sum of $10,000. or $15,000. as the case may be, plus an additional $1,000. for each year of age under twenty-one years. This would better ensure adequate care and education of the child and would render it possible to encroach on capital with impunity to meet his needs. Further, the Canadian Association of Consumers, Ontario Branch, submits that consideration should be given to extending the exemption of $10,000. or $15,000. where a surviving child is twenty-one years or over and still in full time attendance at an institution or higher learning (post-secondary school level).

(b) Pensions and Annuities -

In accordance with the Succession Duty Act, R.S.O. 1960, Chapter 386, and as amended 1960-62, pensions and annuities etc., are included in the estate for taxation purposes at their capitalized value. The Canadian Association of Consumers, Ontario Branch, submits that such capitalization is a breach of the general principles of evaluation for taxation purposes in that it is

based on an average and does not allow for vicissitudes. In addition, it is not comparable to other assets of the estate as it cannot be transferred and the recipient cannot deal with the capital in any way. The payment of the tax works a hardship on the widow and it must be paid in not more than ten equal annual instalments. In the case of a young widow, whose pension would have a high capitalized value, the payment of such instalments is a severe hardship during the years when she is most likely to need extra support for herself and for her children.

The Canadian Association of Consumers, Ontario Branch, submits that the ten year limit is unjustified and that Succession Duty does not bear proper relationship to the benefit received. The value of the pension should be taken as a percentage of the gross value of the estate and that same percentage of Ontario Succession Duty Tax should relate to the pension. The amount of tax attributable to the pension should be payable over the same number of years as that used in computing the capitalized value of the pensions. If the pension ceases before the expiration of the calculated time, the Estate Tax should be deemed to have been paid in full.

*** For example:

Widow - aged 50
Present value factor 14,75861 or approximately 15.
Value of pension is half of the value of the estate.
Total Estate tax payable $3,000.
Therefore, tax attributable to pension $1,500. which should be paid in annual instalments of $100. over a 15-year period.

(c) Double Taxation - Income Tax and Succession Duty -

It is of concern that a widow not only must pay Succession Duty, but also pay income tax on her annuity or pension - with only an insignificant deduction being allowed under Part I, Division B, Section 11 (v) of the Income Tax Act. The deduction itself is based on the capitalized value of the annuity or pension to which exception has been taken above. It is submitted that the annual Succession Duty Tax instalment payments proposed above as a solution to the payment of Succession Duty on pensions etc., should be an allowable deduction in computing income tax. Thus the double taxation at present existing would be simply and effectively eliminated.

9. Of interest to the Commission

The questionnaire contained certain questions which it was thought would be of interest to the Commission regarding consumer reaction and viewpoint on an increase or decrease of income.

There were many who having established their pattern of living - well within their budget stated that a $500. increase or decrease would make no difference whatsoever in their way of life. Others, however, did not feel likewise:-

(a) $500. Increase of Income

The replies to this revealed that an extra five hundred dollars would be used by their family for the following - in this order - better standard of living (more equipment), family hobbies (such as travel, art, books,) investment, clothing, furniture and home improvement, entertainment and charity (helping someone).

(b) $500. Decrease in Income

To many, this would mean curtailment of the following in this order - travel, entertainment, hobbies, investment, lower standard of living and cheaper living quarters, fewer clothes, donations, use of car and general decrease in standard of living.

(c) Would a 5% increase in price cut your spending?

The answer to this was 'no' - if the article was a necessity. 'Yes' if it were a luxury such as certain types of clothing, entertainment or car.

(d) What would be the affect of 5% decrease in price?

The unanimous opinion was, as one women put it "what a welcome thought! ".

10. General Comments

(a) Attempts should be made by the Government to reduce taxation by reductions of unnecessary services and inefficient operation within the Government. It is suggested that the Government should scrutinize its own inner workings to see if more efficient and economical procedures could, and should, be adopted in every Government department.

*** *** For example:

When gasoline is purchased for a pleasure boat, or by a farmer or a commercial fisherman - it must be paid in full, at the time and place of purchase. However, there is an 11-13¢ (as the case may be) refund of tax under the Gasoline Tax Act and the purchaser of the gasoline must fill out a form and attach his receipts thereto and forward the same to the Comptroller of Revenue - Gasoline Tax Branch, Parliament Buildings in Toronto in order to obtain a rebate. He will receive in separate mailings, his receipts back, some time later a cheque covering the full amount of the rebate. This retail gasoline tax should be deducted at the source of supply, and thus eliminate procedures above stated. The result would be economies in the Department which handles this matter.

(b) It would appear that the consumer would approve the legalization of lotteries. It is asked, why should not our hospitals and services benefit from lotteries as is the case in other countries.

(c) Since it is not sound family financing to go into debt, the consumer deplores the deficit budgeting of Government. As one person put it "it is time that Governments and people learned to live within their earnings and budget instead of taxing and borrowing and spending themselves into financial bankruptcy". Services that can support themselves, should do so and revenues should be adjusted to cover expenses. For example - gasoline tax and tolls should support the highways. In this connection were lotteries to be legalized - the proceeds could and should go to the support of hospital services.

(d) The Consumer is of the opinion that the average person is not aware of the "hows and whys" of taxation and they do not know all the services provided by the Government. Accordingly, it is requested that wider publicity be given by the Government to this matter.

(e) Over taxation is as damaging psychologically to a nation as is too much socialization.

11. Conclusion

The Canadian Association of Consumers, Ontario Branch, submits that the Consumer is vitally interested in every aspect of taxation. It is imperative that our tax levels must strike a happy medium whereby the citizen is conscious of sharing responsibility with the Government for providing services, but not be overburdened by taxation while doing it.

It is conceded that to-day's living makes it necessary to provide more services by the Government, and these must be paid for by additional revenue. Subject to the remark pertinent to each type of tax aforesaid - Consumers submit -

1. That the Land Transfer Tax be raised.

2. Personal income tax should not be raised unless necessary and then there should be no added burden upon the wage earner who income is $5.000 a year or under.

3. Corporation income tax - it is felt that it would be preferable to raise this area of taxation rather than personal income tax, because the brunt of increase would be felt by the investor and not the average "person".

4. Business and commercial property should carry a higher tax than that of private property.

5. Religious institutions should bear a token tax assessment - it is realized that the ~~N.A.A.~~ B.N.A. will have to be considered in this matter.

6. Motel and hotel bills should not be taxed.

7. Transportation and communications should not be raised.

8. Sales tax - as stated in the brief this tax should be adjusted.

9. Transfer tax - approval would be given to a raise from 4¢ to 5¢ per hundred dollar value of shares.

10. The Ontario Succession Duty Act should be amended -

i) To permit longer instalment payments of Succession Duty related to pensions, annuities etc.

ii) To recognize the contribution of a wife to the marriage partnership so that one-half of the husband's estate would automatically belong to the wife and not be subjected to Succession Duty when it passes to her on his death.

iii) To provide increased deductions for widows and children.

11. Double taxation in any areas is deplorable. This would include the double taxation (estate tax plus income tax) on widows pensions, and also certain sales tax.

12. That other and further means of financing education should be found to lessen the burden on the property owner and other means be found to support our education system.

13. Government should scrutinize its own Departments to see if economies can be effected.

14. The Government should be self-supporting - deficit budgeting while it may be necessary at time, does not find favour.

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